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19 June 1968

MEMORANDUM FOR: Chief, D/I

SUBJECT : Response to Governor Harriman's Request for an  
Assessment of Economic Conditions in North Vietnam

Attached is I/NV's response to Governor Harriman's request for an assessment of economic conditions in North Vietnam and the degree to which these conditions might affect Hanoi's negotiating position. The recent assessment [redacted] which prompted the request, that deteriorating economic conditions caused by the war have forced the North Vietnamese to the negotiating table is analyzed and rebutted point by point.

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[redacted]  
Chief, North Vietnam BranchGROUP 1  
Excluded from automatic  
downgrading and  
declassification

The Current Economic Situation in North Vietnam

We do not believe that the current economic situation in North Vietnam has been rendered so parlous by the war that the regime has been forced to seek a respite from the bombing program. However, it is undeniable that the bombing respite has improved the general economic situation in North Vietnam by permitting goods to move more freely and reducing the need for constant bomb damage repair work.

We have seen no convincing evidence that the food supply in North Vietnam has deteriorated since the initiation of the bombing program. Domestic paddy production has declined from an estimated normal level of 4.5 million metric tons in 1965 to 4.2 million tons in 1966 and to 4.0 million tons in 1967. We estimate that the fifth month rice crop currently being harvested will be about 200,000 tons below the normal harvest of about 1.5 million metric tons. These shortfalls, amounting to about 650,000 tons of polished rice during the last two and a half years, have been due to adverse weather and to the disruptive effects of the war. The decline in domestic output however has been more than offset by greatly increased food imports from Communist countries. During 1966, 1967 and the first five months of this year North Vietnam has imported by sea a total of about 815,000 tons of foodstuffs with the bulk coming from the USSR and Communist China.

There is no reason to believe, [REDACTED]

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[REDACTED] that Communist China will not be able to continue

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to send foodstuffs to North Vietnam because of China's internal troubles. The [approximately] 210,000 tons of foodstuffs shipped by sea to North Vietnam from China in 1967 represented only a small fraction of one percent of China's total domestic food supply. Although China's domestic output of foodstuffs probably will drop in 1968 from the good harvest in 1967, shipments of foodstuffs to North Vietnam are expected to increase in 1968. During the first five months of 1968 China's exports of foodstuffs to North Vietnam by sea amounted to as much as 140,000 tons, with more than 50,000 tons of this amount arriving in May. This rate of food imports from China far surpasses the rate of 1967. In addition, the Soviet Union and East Europe have continued to export food to North Vietnam and these countries can fairly easily fill the gaps left by any inability on China's part to supply a portion of North Vietnam's relatively small imported food requirements.

Rice rationing in North Vietnam pre-dates the initiation of the US bombing program by several years and the official rice ration has not been reduced because of the war. In addition, for many years prior to the bombing program, the North Vietnamese have been forced to accept a high proportion of their "rice" ration in the form of non-rice substitutes. Although sometimes the full ration might not be available in some areas we believe that generally the regime has been able to honor the ration. Similarly the percentage of non-rice substitutes in the ration varies somewhat according to local conditions but we believe,

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on average, the percentage has remained at about 40 percent since the initiation of the bombing program. The few scattered reports of a higher percentage of non-rice foodstuffs in the ration probably reflect the greatly increased food imports, including greatly increased imports of wheat flour, during the last eighteen months. We feel that much of the imported foodstuffs is consumed in Hanoi and Haiphong from which most of the reporting on diets originates.

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[REDACTED]

The exhortations to agricultural laborers to work harder and increase output contained in the early June Nhan Dan articles are nothing new and are not surprising in view of the current harvest period. North Vietnam suffers from a low labor productivity and is periodically forced to exhort its agricultural laborers to increase output per laborer and per unit of cultivated land. We agree that the current harvest has been adversely affected by bad weather which has resulted in a reduction in planted acreage and a delay in harvesting in some parts of the country.

We can not confirm [REDACTED]

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25X1 [REDACTED] that about 200,000 hectares of paddy land have not been planted. However, we agree that all the paddy land was not planted and the unplanted area could have been as large as 200,000 hectares. The average yield per hectare of polished rice produced in fifth month crops has been about 1.1 tons. <sup>1.</sup> The reported unplanted area is of average productivity the expected loss of domestically produced polished rice would be about 220,000 tons or about 22 percent of the normal output of polished rice for this harvest. Even a shortfall of this magnitude has already been more than offset by the 285,000 tons of foodstuffs imported during the first five months of this year. However, we feel that the less productive paddy land has made up most of the unplanted area and that even if 200,000 hectares of paddy land were not planted for the current harvest the shortfall will be <sup>LESS THAN 220,000</sup> [only about 130,000] tons of polished rice. Moreover some of the unplanted paddy land can be used for the production of subsidiary foodstuffs, thus partially offsetting the reduced rice output.

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The fact that paddy fields are being cultivated by women does not necessarily indicate a labor shortage in agriculture. Women are traditionally very active in agriculture in North Vietnam. Even before the initiation of the bombing program about 60 percent of the agricultural labor force was female.

The restriction on the sale of cookies and other items made of rice, if true, could merely reflect the increased imports of wheat flour arriving in Hanoi and Haiphong and the regime's attempt to encourage the consumption of this foodstuff to allow more of the preferred rice to be consumed in grain form.

It is true that the economic delegation has been dispatched to East European countries several months earlier than usual and that supplementary aid for 1968 and aid for 1969 is being sought. However, we have no evidence that the supplementary aid being sought is as much as 100 percent of the amount of aid initially obtained for 1968. The economic delegation arrived in East Europe almost two months after the bombing restrictions were announced and it is more likely that the supplementary aid sought for 1968 indicates the changing requirements generated by the changed bombing program, and the increased involvement of North Vietnam in the war in the south rather than a deteriorating economic situation in North Vietnam caused by the bombing program. It is also possible the current aid negotiations are designed to enhance North Vietnam's negotiating position by demonstrating the support North Vietnam is able to receive from other socialist countries.

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